

<b>Subject: Fiscal Year Close</b>	Author: Anne Rademaker
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Approved By: Controller's Office	Page 1 of 2

1) General

The University of Louisville, as an agency of the Commonwealth of Kentucky, conducts fiscal year activity beginning July 1 and ending June 30.

2) Closing Dates and Procedures

All financial and accounting transactions must be recorded in the fiscal year in which they take place in order to properly report the university's financial position as of June 30, and the results of operations for the fiscal year.

Each year a closing schedule will be distributed in the month of May to establish procedures and cut-off dates for the year-end closing process. The topics addressed are Requisitions, Small Purchase Orders, Travel Reimbursements, Payroll, Cash Receipts, Accrual Entries, Stockroom, Printing Services, and Intra-University Transfers.

3) Accruals/Prepays

All expenses and revenues must be recognized on full accrual basis – during the fiscal year in which service or product was received. All invoices greater than \$10,000 paid between May 1 and the final scheduled AP Accrual Entry, generally the first week of August, are reviewed to determine proper fiscal year. The scope of invoices reviewed increases to \$25,000 after the final scheduled AP Accrual entry and to \$100,000 after September 1. If the AP Distribution entry places the expense in the wrong year, an entry is made by the Controller's Office to accrue or prepay the expense as necessary. Accrual entries after the final scheduled AP Accrual Entry are made after assessment of overall materiality to the financial statements.

4) Encumbrances

A) Encumbrances outstanding on June 30 and not cleared by payment vouchers before June 30 will be forwarded as encumbrances in the next fiscal year as decided by the Department of Purchasing.

B) Budgetary funds will be carried over to cover these encumbrances in the new year. Excess encumbrances not utilized in the new year as a result of carry-over funding will be deducted from the department's budget.

5) Summer School

The University is required under GASB 35 to recognize all revenues and expenses in appropriate fiscal year. Prior to FY 2002 it was the policy of the University to recognize all summer school

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revenue and expense in the old year. Starting in fiscal year 2003 an allocation is determined based on registration for summer classes. The percentage allocation is determined at the beginning of June of each fiscal year and the entry made at the end of June by the Controller's Office.

6) Inventories

A) In order to properly account for physical inventory during a fiscal year, it is necessary to make a complete and accurate physical count of all inventory items as of June 30, and to observe year end closing procedures to insure such inventory items are recorded properly.

B) Includable items for count are merchandise for resale, supplies and stocks in storerooms, printing supplies, and stored fuels.

C) Items that have been charged as expense should not be included in inventory, even though they may be on hand in departmental storerooms or offices.

D) The Controller's Office will establish year end closing procedures to insure proper comparison of physical inventory to book inventory.

E) Full inventory counts will be performed at the end of May in order to timely resolve any problems. At the end of June, the inventory should be reviewed for reasonableness and any known changes. Any items that can no longer be sold should be written off as part of the inventory adjustment.

F) Observation of physical inventory counts may be observed by the university's Audit Service staff, our external auditors, and/or the Controller's Office staff.